



Ports Brief

Uruguay - August 2005

Summary



In 1992, law No. 16,246 ended the State's monopoly over the Montevideo Port's operations and introduced it to private sector services. The law promoted a remarkable transformation in the port's activity. Commercial competition propelled growth in activity, improvement of services, and an increase in new traffic. It also opened windows of opportunity for service providers working with goods in transit throughout the neighbouring region. Infrastructure improvement accompanied this new momentum. Docks have been reinforced, obsolete warehouses have been demolished, new container terminals have been created, high-resistance pavement and circulation routes have been refurbished. Power, water, sanitation, security and communications installations and equipment have all been updated and modernized. The Free Port system, created under the same law, allows for the free circulation of goods within the port premises exempt of all import-related duties and charges.

Major international investments in Uruguay's forestry sector have created the need for new and modern ports along the Uruguay River (Fray Bentos and Nueva Palmira) and on the Atlantic Ocean (La Paloma.) Nueva Palmira is the terminal Port of the 2,200 mile-long Paraná-Paraguay river transportation system flowing through Uruguay, Argentina, Paraguay, Bolivia, and Brazil.

Market Overview

Uruguay is a market-oriented economy in which the State still plays a certain role. The economy performed well during most of the nineties, but in 1999-2002 underwent its steepest banking and financial crisis in recent history, which was mostly caused by external factors. As a result, per capita GDP fell from \$6,300 in 1998 to about \$3,700 in 2002. After plummeting by an historic 11% in 2002, the economy recovered slightly in 2003 and boomed in 2004, with a 12% growth rate. GDP is expected to grow about 5%-6% in 2005.

Uruguay has diversified its trade in recent years but remains dependent on Argentina and Brazil. It is a founding member of MERCOSUR, the regional trading bloc that includes Argentina, Brazil and Paraguay, with Chile and the Andean countries as associate members. The Port of Montevideo, the largest in Uruguay, is set to become an important regional distribution center.

While imports from the United States fell 66% from 1998 through 2003, they grew 33% in 2004 following the economic upturn. The U.S. mostly sells high-tech and capital goods, and has a 10% market share of total imports. In 2004, the U.S. became Uruguay's largest single market, as exports boomed with increased meat sales.

The investment climate is generally positive. Investments are allowed without prior authorization, foreign and national investors are treated alike, and there is fully free remittance of capital and profits.

Port Highlights

- Uruguay's forestry boom is driving most new port projects in the country.
- Several new port projects are currently underway. Many receive IADB financing.
- Shipping goods to Uruguayan ports and transporting them north 1,300 miles by truck to Sao Paulo, Brazil, is faster and cheaper than unloading the goods in Brazil's main port, Santos (but a few miles east of Sao Paulo.)

The Uruguayan Ports

Montevideo Uruguay's economic development began around its main port. Over half of the country's population lives in the Montevideo metropolitan area, which still relies heavily on the port for the economic health of the region. The port is well positioned on the Rio de la Plata. The river's currents deposit silt on the other side of the river along the Argentine coast and in particular at Buenos Aires. Therefore, dredging the harbor and its approach channels is not as big a problem for the Port of Montevideo as it is for the Port of Buenos Aires.

The port is the deepest natural harbor of the River Plate area. It receives worldwide sea carriers and handles most of Uruguay's foreign trade. Montevideo is the only terminal in the Atlantic coast of South America that operates under the "Free Port" system.

Since early on, the Port has played a key role in the country's and region's development due to its excellent location, its competitive advantages in terms of natural characteristics and infrastructure, and its services and investment opportunities. The Port has become an axis of integration for the region due to its immersion in the area of influence of almost 200 million inhabitants with the highest per capita income of Latin America.

The "Free Port" system allows for the free circulation of goods within the Port premises exempt of all import-related duties and charges. Activities which do not alter the nature of merchandise but increase value added (such as consolidation, classification, and re-labeling) are also permitted within this system. The Port has become an important transshipment site for merchandise bound to neighboring countries. Nine per cent of the containerized merchandise has a regional destination.

The largest floating dock in South America is located in the natural harbor of the port. Major structure repairs and conversion work s of all types of vessels takes place in that dock. Naval repair companies operating in Montevideo are internationally well known for their expertise and infrastructure.

Nueva Palmira Located 170 miles west from Montevideo on the left bank of the Uruguay River close to the limits with the River Plate and facing the mouth of the Paraná Bravo, it is the second largest port in Uruguay. It is at the origin of the navigation waterway known as the Paraná-Paraguay waterway that reaches up to Puerto Cáceres in Brazil. It is the terminal port of the waterway system. This provides great possibilities for the efficient development of cargo transfer operations, from river boats to ocean-bound vessels. The port is currently used mainly for the shipment of lumber and citrus fruits (82% of Uruguayan citrus exports leave through Nueva Palmira). U.S.'s Navios Corporation and Archer Daniels Midland operate grain terminals at the port. Nueva Palmira moved 3.9 million tons of cargo in 2004. The port is dredged to 32 feet. Part of the port is located within a bonded warehouse system and has a 5,500-pallet capacity refrigerated warehouse owned by Uruguayan, Danish and Swedish shareholders .

Colonia del Sacramento Located 110 miles west from Montevideo, the port's main activities are the daily frequencies of passenger and vehicle traffic between Colonia and Buenos Aires (capital city of Argentina), in high-speed catamarans. The Port is also used as a transshipment point for merchandise to Argentina.

Fray Bentos Located from 240 to 350 miles west from Montevideo depending on which navigation channel is used: Martín García (shorter) or Paraná-Mitre (longer). The main products handled in this facility are citrus, timber rolls and grains (barley and corn). Built in 1930 by the British, the Nueva Palmira port recently acquired international attention as two major European forestry companies (Botnia and ENCE) will build their pulp processing mills near the city.

La Paloma Located 140 miles east of Montevideo, the port was designed originally for fishing and yachting purposes. The port has many favorable characteristics that make it ideal for commercial use. The natural harbor allows for the operation of ships of 15' draft and could reach 40' if a 1.2 mile breakwater were built.

Punta del Este This Port is basically a yacht port that caters to affluent international tourists visiting the resort from December through March. It holds up to 700 yachts.

Major Opportunities for U.S. Investment and Sale of Products and Services

Montevideo:

A) Prequalification of up to six Consultants to compete for a project to design and carry out the construction of a new dock. Winner must prepare an environmental impact study that justifies the dock's feasibility, prepare construction and structural analysis of three dock alternatives with advantages and disadvantages of each, and estimate construction costs (including dredging between 39 and 46 feet.) As of August 2005, this contract has not been awarded.

B) CerroFreePort, a management and holding company involved in communications, transportation, agriculture, fishing, and processing, is constructing a new commercial deep-sea international multimode port. The port is being developed on a site of approximately 100 hectares owned by the firm. CerroFreePort is currently seeking investors, constructors, and operators for the port facilities. The project includes container terminals and facilities to handle timber, automobiles, and fish. CerroFreePort has obtained all permits required by the Uruguayan Government and the Municipality of Montevideo.

C) Wood Terminal. This tender calls for the construction of a new terminal to include a conveyor belt systems, warehouses, etc. The approximate investment of \$23.5 million. Proposals are still being accepted as of August 2005.

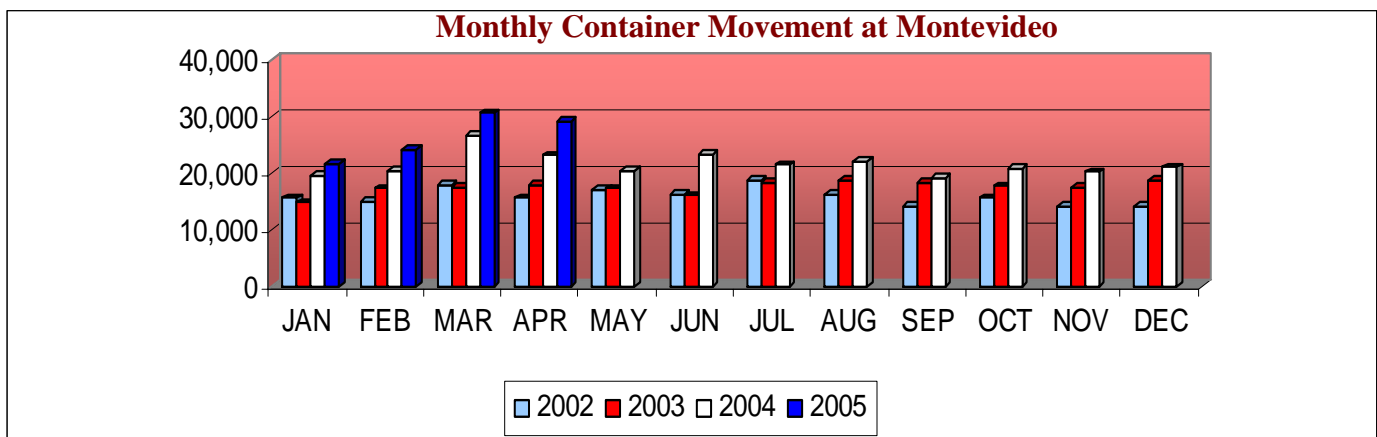
Colonia: The Ministry of Transportation has announced investments of up to \$ 6 million for the construction of a new passenger terminal. Proposals are still being accepted as of August 2005.

Nueva Palmira: Projects include the construction of a multi-purpose terminal by gaining 14 acres of land from the river, construction of general warehouses for free-zones, a 330,000sq.ft. cellulose storage warehouse, a 200yard-long dock, container and fuel warehouses, river-side docks for barges and an ocean-side (200 x 45 yard) dock for ships. Investment is expected to be \$ 16.8 million, 38% from private sources and the balance from international loans. Current shareholders in this project are Botnia 40%, Ontemar SA 24%, Swedfund International AB 12%, Lauritzen Cool AB 12% and Christophersen Uruguay 12%.

Fray Bentos: A Logistics Terminal at the Port of M'Bopicuá is being built for Spanish forestry giant ENCE. Ongoing investment in infrastructure and equipment is estimated at \$ 35 million

La Paloma: Uruguay's Ministry of Transportation and Public Works has requested bids from contractors interested in designing an executive project and constructing a new dock. The project consists of tearing down the current wooden dock (including its installations and equipment), and constructing and fully equipping a new dock using reinforced concrete. Proposals still being accepted as of August 2005.

In addition, the Ministry recently awarded a Chilean consortium a 30-year concession for the construction and operation of a new deep-water terminal to be used for the export of wood chips. The port will include a conveyor belt that extends 4,300 feet into the ocean to a point where the ocean has a depth of fifty feet. The total investment is expected to be between \$25 and \$30 million.





The Paraná -Paraguay River Transportation System

The governments of Uruguay, Argentina, Brazil, Paraguay, and Bolivia are jointly working together on what has become the largest Latin-American "regional integration" project -- the joint use of the 2,500-mile long Parana-Paraguay-Uruguay rivers for the transportation of goods from the five countries to the Atlantic Ocean. The ongoing project calls for investments on the order of USD 935 million including civil construction (USD 120 million), dredging and maintenance (USD 150 million), ports (including equipment, USD 115 million), and fleet (USD 550 million). Further opportunities for U.S. involvement lie in the development of the administration of the waterways.



The National Ports Administration

The National Ports Administration (Administración Nacional de Puertos – ANP) is a decentralized entity of the Executive Power responsible for the administration, conservation, and development of the Port of Montevideo, Colonia, Fray Bentos, Nueva Palmira, and Juan Lacaze. It also advises the Executive Power on Ports matters. As of 1992, private operators may offer their services to cargo and passenger vessels under a free competition system. Commercial competition propelled growth in activity, improvement of services, and an increase in traffic.

Market Entry Strategies

- All import channels exist -- agents, distributors, importers, trading companies, subsidiaries, and branches of foreign firms. Sales outlets and supermarkets are traditional storefronts. There are no discount general merchandisers.
- U.S. suppliers should be thorough in their selection of a local agent or representative. The contractual relationship (employer-employee or commission-based) should be made clear. Failure to do so could result in supplier liability for severance if the U.S. company decides to end the business relationship.
- The best strategy recommended to enter the local market is to visit Uruguay, interview potential partners, and name a representative/agent. Business relationships and creative financing terms are very important.
- U.S. exporters are encouraged to take advantage of the export promotion services provided by the Commercial Section in the U.S. Embassy in Montevideo. Please check in <http://www.buyusa.gov/uruguay/en/10.html> for the full list of services provided. Another useful site for U.S. exporters is <http://www.export.gov>.

Key Contacts

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National Ports Administration: <http://www.anp.com.uy>

Ministry of Transportation Department of Waterways: <http://www.mtop.gub.uy/hidrografia/>

<http://www.buyusa.gov/uruguay/en>